

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

BOARD OF PAROLE

SPECIAL INVESTIGATION

FIELDWORK END DATE: JUNE 26, 2009

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State of Delaware
Office of Auditor of Accounts
R. Thomas Wagner, Jr. – CFE, CGFM, CICA
At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following hotline allegation regarding the State of Delaware Board of Parole (BOP):

- Noncompliance with State travel policies.
- Lack of controls over personal expense vouchers.
- Unaccountable time and leave reporting.
- Noncompliance with Acceptable Use Policy for computer systems.
- Inappropriate payments and reimbursements for employee tuition.
- Unacceptable time for classes during work hours.

Background

The Delaware Board of Parole has authority to grant parole to eligible adult prison offenders whose crimes were committed prior to June 30, 1990. The Board of Parole consists of a full-time Chairman and four (4) part-time Members, one from each county and one from the City of Wilmington. The Chairperson serves at the pleasure of the Governor, with Senate confirmation.

For further information on this release, please contact:

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BOARD OF PAROLE

What We Found:

- Employees took the State vehicle home after business hours.
- Employees who used personal vehicles for work purposes were paid above the State maximum rate for personal vehicle usage.
- Employees charge \$11,440 on the SuperCard including \$6,189 for education, and \$744 for a holiday party. Receipts could not be located for \$2,941 in spending.
- Lack of financial transactions and personnel attendance oversight.
- One employee paid for classes in advance on the SuperCard and exceeded the reimbursement policy by \$5,189.
- Management Analyst II's computer contained personal work, schoolwork, and an image that some may consider offensive.
- Agency circumvented State accounting transaction approval policies by creating transactions under \$2,500 to encumber funds for tuition.

Although the financial oversight and control environment were lax, it appears that all-financial transaction were for Board of Parole benefit. We were unable to determine the accuracy of the time keeping records, however, based on school records, it appears reasonable that the employee did not attend classes during working hours.

What We Recommend:

- The State vehicle should not be taken home at night.
- Employees should be required to use fleet vehicles for State travel.
- The Agency adheres to tuition reimbursement policies.
- The Agency control environment should be improved to require greater oversight of financial and time keeping transactions.
- Financial transactions should comply with Department of Finance requirements.
- Eliminate the petty cash checking account and pay all transactions through DFMS.
- Require employees to sign the Acceptable Use Policy annually.

Please read the complete report for a full list of findings/recommendations and to review BOP's response to our findings.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATION AND BACKGROUND

ALLEGATION

The Office of Auditor of Accounts (AOA) received the following hotline allegations regarding the State of Delaware Board of Parole (BOP):

1. Noncompliance with the State travel policy.
2. Impropriety and lack of controls related to personal expense vouchers.
3. Unaccountable time, improper leave reporting, and improper compensatory time reporting.
4. Noncompliance with the State of Delaware's *Acceptable Use Policy* for computer systems.
5. Inappropriate payments and reimbursements for employees' tuition.
6. An employee attends classes during business hours and does not take leave for this time.

BACKGROUND

The Delaware Board of Parole has authority to grant parole to eligible adult prison offenders whose crimes were committed prior to June 30, 1990. Since 1923, the BOP has had full authority to grant parole to adult offenders committed to the State Prison System. The earliest written documents of the BOP, dated 1937, indicate that the BOP consisted of three part-time members appointed for 3-year terms by the State Supreme Court, with the Chairman designated by a vote of the members. The Director of Field Parole Services served as Administrator and Field Parole Officers were appointed by the BOP.

In 1964, the Delaware General Assembly created the Department of Correction (DOC) and revised the laws relating to the BOP. Parole supervision was transferred to DOC, Division of Probation and Parole.

In 1970, legislation was passed creating a 5-member board, with a full-time Chairperson. Oliver W. Casson, the first full-time Chairperson, was appointed by Governor Russell W. Peterson and served in this capacity until his retirement in May 1991. On July 8, 1991, Marlene Lichtenstadter, who was appointed by Governor Michael N. Castle, replaced Mr. Casson as Chairperson. Ms. Lichtenstadter retired in March of 2002. Governor Ruth Ann Minner appointed Dwight F. Holden as Chairperson on July 1, 2002.

Under current law, the BOP consists of a full-time Chairperson and four part-time Members, one from each county and one from the City of Wilmington. The Chairperson, who serves at the pleasure of the Governor, with Senate confirmation, must have experience in the area(s) of probation, parole, and/or other related areas of corrections. The requirement for the part-time membership is a demonstrated interest in correctional treatment or social welfare. Members serve 4-year terms upon appointment by the Governor and Senate confirmation and may be reappointed.

OBJECTIVES, SCOPE & METHODOLOGY

OBJECTIVES

The objectives of the investigation were:

1. To determine if the BOP adheres to State and BOP travel policies.
2. To determine the propriety of personal expense reimbursements.
3. To determine the propriety of time reporting, including leave accrued and taken as well as compensatory time earned and taken.
4. To determine if computers were used to store unacceptable files.
5. To determine if the agency paid for employee classes within policy guidelines. Additionally, to determine if the employee appropriately recorded time related to attending class during business hours.

SCOPE

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

The scope of the investigation included a review of time and leave records, personal expense reimbursements/vouchers, travel and vehicle use, and computer use for the period of July 1, 2008 through January 31, 2009.

METHODOLOGY

Investigative techniques included:

- Interviews and inquiry.
- Inspection and confirmation of documentation.

CONCLUSIONS

Allegation #1

Noncompliance with the State travel policy.

Results of Testing

- The BOP is assigned a State vehicle for business use.
- Per Delaware Code, Title 29, Chapter 71, when not on official State business, the vehicle should have been parked at the agency or motor pool location to which the vehicle was assigned.
- The BOP vehicle was assigned to the State Carvel Building in Wilmington.
- Employees would often travel to parole hearings in Dover or throughout the State. The night before these hearings, the Board Chairperson or the Management Analyst II would often park the State vehicle at their personal residence overnight and then depart the following morning to the hearings. This practice is not permitted under Delaware Code, Title 29, Chapter 71.
- The State of Delaware *Budget and Accounting Manual* discourages the use of privately owned vehicles for in-state travel. The *Manual* states that when a privately owned vehicle is used, that the total amount reimbursed for in-state mileage should not exceed the Delaware Fleet Services daily rental rate. The daily Fleet rental rate for in-state travel in a sedan is \$27.60.
- Rather than utilizing Delaware Fleet Services, BOP employees would drive their own personal vehicles to/from meetings. BOP would reimburse these employees for a standard number of miles depending on the location of the meeting (e.g. BOP employees received \$40 for a round trip to Dover). BOP's in-state travel payments to employees exceeded the maximum amount allowed.
- BOP does not have any written policies and procedures related to employees' in-state travel.

Conclusion

Substantiated.

CONCLUSIONS

Allegation #2

Impropriety and lack of controls related to personal expense vouchers.

Results of testing

- The AOA reviewed 100% of the Management Analyst II's SuperCard and expense reports for the period of July 1, 2008 through January 31, 2009. The following table details the transactions:

<u>Category</u>	<u>Amount</u>
Education- General Staff	\$ 735.00
Education- Management Analyst	6,189.00
Office Supplies	1,252.67
Holiday Party	744.85
Travel	1,089.91
Unknown	189.35
Office Cell Phone	628.62
Association Fees	400.00
Mileage, Tolls and Parking	149.20
Food for Meetings	61.81
	<u>\$ 11,440.41</u>

- Receipts, invoices, etc. did not support transactions totaling \$2,941.19.
- The BOP Chairperson and the Management Analyst II indicated that the transactions were for the benefit of BOP and that the lack of receipts was an employee oversight.
- No one reviews or approves the Management Analyst II's SuperCard purchases or expense reports.
- The Management Analyst II 'approves' the Chairperson's expense reports.
- There is a lack of segregation of duties. The Management Analyst II maintains the checkbook, makes deposits, prepares and signs checks, receives the bank statements, and reconciles the accounts.
- The personal expense vouchers for several other employees were not reviewed.

Conclusion

Substantiated.

Allegation #3

Unaccountable time, improper leave reporting, and improper compensatory time reporting.

Results of testing

- BOP does not have written policies and procedures for leave reporting, compensatory time, and alternative/flex schedules.
- Employees do not consistently use leave request forms and e-mail documentation was often noted as support for leave requests.

CONCLUSIONS

- There was no evidence of prior approval of compensatory time. Additionally employees maintain their own records of compensatory time.
- The Management Analyst II has no set work schedule. There appears to be minimal supervisory control over her start and end times, which vary and in some instances she works through lunch in order to leave earlier in the afternoon.
- The lack of policies and procedures, a set schedule, supervision, etc. makes it difficult to determine if BOP employees are accurately reporting time worked.

Conclusion

Partially substantiated. AOA could not determine if time was accurately reported. However, AOA concludes that there is an inadequate control environment to ensure proper time reporting.

Allegation #4

Noncompliance with the State of Delaware's *Acceptable Use Policy* for computer systems.

Results of Testing

- The Management Analyst II's hard drive contained personal files and one potentially inappropriate image.
- The Management Analyst II had minimal e-mail use; however, she did receive e-mails that could be considered inappropriate and were not in accordance with the *Acceptable Use Policy*.
- From the files reviewed, AOA cannot determine if the inappropriate computer use exceeded "incidental" State time/resources.

Conclusion

Partially substantiated. AOA determined that the computer was used for prohibited activities; however, AOA could not determine if activity exceeded "incidental" State time/resources.

Allegation #5

Inappropriate payments and reimbursements for employees' tuition.

Allegation #6

An employee attends classes during business hours and does not take leave for this time.

Results of Testing

- The BOP *Educational Benefits Policy* indicates a maximum tuition reimbursement of \$1,000 per employee per fiscal year. This policy allows the BOP Chairperson to adjust the reimbursement amount at any time. The Chairperson or any other Board member never signed the policy.
- The Management Analyst II received \$6,189 in tuition payments from July 1, 2008 through June 30, 2009. This exceeded the maximum threshold by \$5,189.
- There was no documentation of the Chairperson or any other Board member authorizing payments in excess of \$1,000.
- The BOP *Educational Benefits Policy* indicates that reimbursements would be granted upon proof of payment and successful completion of a course.

CONCLUSIONS

- Tuition payments were not reimbursements. Payments were made for tuition and books prior to any courses being taken. While the Management Analyst II provided proof of a passing grade upon completion of a course, reimbursements were not made in accordance with the *Educational Benefits Policy*.
- The Management Analyst II used her State SuperCard to pay for tuition. As noted in the results of testing for allegation #2, no one reviews the Management Analyst II's SuperCard purchases.
- The Management Analyst II circumvented State policies and approvals when she prepared 4 purchase orders for tuition to the same vendor on June 26 and June 27, 2008. Each individual purchase order was equal to \$2,475 and totaled \$9,900. State policy requires additional approvals for purchase orders exceeding \$2,500. The purchase orders should have been processed as one purchase order and appropriate approvals obtained.
- Class schedules/transcripts indicate that classes were held after normal business hours.

Conclusions

Allegation #5 – Substantiated.

Allegation #6 – Unsubstantiated.

Overall

The Board demonstrated minimal oversight of BOP employees. This resulted in questionable transactions, noncompliance with State and BOP policies, and a weak control environment.

FINDINGS AND RECOMMENDATIONS

Finding #1 - Use of a State Vehicle

Criteria

Title 29 Del. C., § 7106(b) of Delaware Code states, “When not on official State business, every motor vehicle owned by any agency/school district ... shall be parked at the agency or motor pool location to which the vehicle is assigned.”

Title 29 Del. C., § 7106(e) of Delaware Code states, “Whoever violates this section, for the first offense, shall be fined not less than \$10 nor more than \$25. For each subsequent like offense, the violator shall be fined not less than \$25 or more than \$50. Justice of the Peace Courts shall have jurisdiction over offenses under this section.”

The Internal Revenue Service (IRS) *Taxable Fringe Benefit Guide for Federal, State, and Local Governments* states, “If an employer-provided vehicle is used for both business and personal purposes, . . . Personal use is taxable to the employee as wages.” The *Guide* also lists “Commuting between residence and work station” as an example of taxable personal use of an employer-provided vehicle.

Condition

The BOP is assigned a State Fleet vehicle. The vehicle was assigned to the State Carvel building in Wilmington when not in use. State law allows for employees to take home State vehicles upon meeting certain job requirements as well as completion and approval of appropriate forms; however, the BOP did not complete such documentation and was thus not permitted to take the State vehicle home.

The AOA reviewed the use of the BOP vehicle for the period of December 6, 2008 through March 14, 2009. During this period, the BOP Chairperson parked the vehicle overnight at his personal residence on 67 occasions, and the Management Analyst II parked the vehicle overnight at her personal residence on 3 occasions.

Cause

The BOP was unaware of the sections of Delaware Code dictating the location of State vehicles as well as the penalties related with noncompliance of the Code sections.

Effect

The BOP Chairperson may be responsible for a minimum of \$1,660 and maximum of \$3,325 in fines and the Management Analyst II may be responsible for a minimum of \$60 and maximum of \$125 in fines related to the time period of December 6, 2008 through March 14, 2009. Note that there may be additional fines for the period outside of AOA’s review. In addition, the BOP Chairperson and Management Analyst II may be responsible for taxes related to the personal use of a State vehicle.

FINDINGS AND RECOMMENDATIONS

Recommendation

The BOP should:

- Comply with 29 Del. C., § 7106(b) of Delaware Code.
- Require that the assigned State Fleet vehicle be parked overnight at the State Carvel building when not in use.
- Address the potential tax consequences with IRS and the Delaware Division of Revenue.

This report will be provided to the State of Delaware Office of the Attorney General and the Justice of the Peace Courts for final prosecution and fine determination. The BOP should contact these agencies to determine appropriate restitution,

Auditee Response

The BOP will comply with Del. C., 7106(b) of Delaware code, said vehicle will be parked in the parking garage when not in use. I will speak with the Attorney generals office regarding the use of said vehicle relating to potential tax liabilities. BOP was unaware of that said vehicle could not be taken overnight.

Finding #2 – Mileage Reimbursement

Criteria

The State of Delaware *Budget and Accounting Manual*, Section XIII (C)(2)(c) states, “Vehicles from Delaware Fleet Services shall be used for in-state travel and thus reimbursement for use of privately owned vehicles for in-state travel is discouraged. Organizations may allow exceptions to this policy but in no case should the total amount reimbursed for in-state mileage to an individual on a single day exceed the Delaware Fleet Services daily rental rate. Board and Commission members are excluded from this provision.”

Condition

The BOP reimbursed employees for personal mileage at a rate that exceeded the Delaware Fleet Services daily rental rate (note that this finding is related to BOP employees and not Board members which are excluded from the provision).

The Delaware Fleet Services daily rental rate (using the online reservation system) for a 4-passenger sedan is \$27.60 per day. The BOP reimbursed staff \$40 per trip to Dover and \$70 per trip to Georgetown.

Cause

The BOP management was not aware of the requirements of the State of Delaware *Budget and Accounting Manual*, Section XIII (C)(2)(c).

Effect

The BOP inappropriately spent State funds for in-state travel. Trips to Dover exceeded the allowable rate by \$12.40 per trip and trips to Georgetown exceeded the allowable rate by \$42.40 per trip.

FINDINGS AND RECOMMENDATIONS

Recommendation

The BOP should require all employees to use Fleet Services vehicles.

Auditee Response

Fleet services will be utilized in the event of the BOP regular vehicle is being used.

Finding #3 - Tuition Reimbursements

Criteria

The BOP's *Educational Benefits Policy for Board of Parole Employees* Section V states, "Reimbursement shall be determined as a percentage of actual acceptable expenses paid by the employee, up to \$1,000 per fiscal year. . . . The Chairperson (in conjunction with Agency Fiscal Officer) may adjust the reimbursement amount at any time in response to levels of funding available for this purpose."

Section V further states, "Reimbursement will be granted upon proof of payment (original receipt, copy of student loan agreement) and the successful completion of the course. Successful completion is defined as a passing grade of C or better."

Condition

During the period of July 1, 2008 through January 31, 2009, the BOP paid the Management Analyst II \$6,189 for tuition and books. There was no documentation indicating the Chairperson's approval of tuition payments in excess of the *Policy*. However, the Chairperson acknowledged that he verbally agreed to reimburse for the total amount of tuition. The BOP payments for tuition and books were made prior to the start of classes; hence, BOP did not comply with its policy that reimbursements would be granted upon proof of payment and the successful completion of the course. The Management Analyst II paid for the tuition and books using her State SuperCard for which there was no supervision or review.

Cause

The Chairperson was unaware of the *Educational Benefits Policy* and there is a lack of review and supervision by management.

Effect

The BOP exceeded the maximum tuition reimbursement by \$5,189. The BOP did not comply with its *Educational Benefits Policy*. By making payments "upfront" for tuition and books, the BOP places itself in a difficult position to collect funds in the case of termination of an employee or in the event the employee does not receive a passing grade. Lack of proper supervision of the Management Analyst II increases the risk of fraudulent activity.

FINDINGS AND RECOMMENDATIONS

Recommendation

The BOP should adhere to its *Educational Benefits Policy*. Payments for tuition and books should not exceed \$1,000 in a fiscal year and payments should be made on a reimbursement basis. In addition, tuition payments exceeding the \$1,000 per year threshold should be documented and approved by Management.

In instances in which approval of tuition payments exceeding the threshold is not documented, the employee should be required to reimburse the excess. Board members should review the policy, make revisions as appropriate, and approve the policy. Board members should implement an effective control environment to ensure appropriate supervision and review of BOP activities.

Auditee Response

The Chairperson was not aware of the Educational Benefits Policy. Board members should review said policies.

Finding #4 - Documentation

Criteria

The State of Delaware *Budget & Accounting Manual* Section XIV:

- Section (A)(2)(a) states, “General – Regardless of the reason or type of purchase, all SuperCard receipts must be kept for reconciliation purposes.”
- Section (D)(1)(a) states, “Whenever a credit card transaction is made, either over the counter or by telephone, documentation must be retained as proof of purchase (e.g. receipts or packing slips) and provided within seven (7) days to the person designated by the organization’s Internal Control procedures.”
- Section (F)(1)(e) states that the cardholder’s responsibilities include, “Obtain all sales receipts, register receipts, purchasing card slips, and/or packing slips and provide the same to the organization SuperCard Coordinator within seven (7) business days of the transaction or completion of travel.”

Good accounting practices require that expenditures be properly supported with detailed receipts, invoices, packing slips, etc.

Condition

During the period of July 1, 2008 through January 31, 2009, the Management Analyst II made 55 purchases using her SuperCard; purchases totaled \$10,830. Thirty-five of the transactions totaling \$2,803 were not supported with proper documentation.

During the period of July 1, 2008 through January 31, 2009, the Management Analyst II submitted 7 personal expense reimbursement forms totaling \$610. The Petty Cash account was used to reimburse her for the transactions. Transactions totaling \$138.33 were not supported.

FINDINGS AND RECOMMENDATIONS

While the Chairperson reviewed the transactions with AOA and indicated he believed the transactions to be valid, but without proper supporting documentation his assessment cannot be validated.

Cause

Lack of supervision and management review by Board members resulted in a weak control environment, which provided ease of inappropriate recordkeeping by the Management Analyst II.

Effect

Lack of proper documentation and basic supervision results in an increased risk for fraudulent activity. The BOP was not in compliance with the State of Delaware *Budget and Accounting Manual*.

Recommendation

The BOP should:

- Comply with and obtain training on the State of Delaware *Budget and Accounting Manual*;
- Require support for all purchases;
- Obtain training/education on basic accounting practices and internal controls and/or ensure that the Board is comprised of individuals knowledgeable of basic accounting practices and internal controls.
- Implement controls to ensure proper supervision and review.

Auditee Response

A new procedure has been put in place with two (2) clerical staff members who approve and sign checks, and the Chairperson reviews them also. Also, training will be given in accordance with the *Budget and Accounting Manual*.

Finding #5 – Policies and Procedures

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission's report Internal Control - Integrated Framework (COSO) defines control activities as . . . "the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives . . . Control activities usually involve two elements: a policy establishing what should be done and, serving as a basis for the second element, procedures to effect the policy."

Condition

The BOP does not have policies and procedures related to flex time, compensatory time, leave reporting, and in-state travel.

Cause

A weak control environment including a lack of supervision and management review by Board members.

FINDINGS AND RECOMMENDATIONS

Effect

The weak control environment resulted:

- Inconsistent documentation for flex schedules, leave reporting, compensatory time, etc.;
- An environment in which the accountability of employees for time worked is questionable; and
- Noncompliance with State policies related to in-state travel.

Recommendation

Management should establish written policies and procedures related to time reporting (including flex time, alternative work schedules, leave reporting, compensatory time, etc.) and in-state travel. As part of the new written policies, BOP members and support staff should, annually, sign an acknowledgement that they have read and understand those policies/procedures. Board members should implement proper controls to ensure appropriate oversight of BOP employees.

Auditee Response

A handbook has been developed and is available for review. Training will be given to Board and staff members.

Finding #6 – Purchase Orders

Criteria

The State of Delaware *Budget and Accounting Manual* Section VI (B)(2)(a) states, “After the requisition or purchase order is approved it is processed according to dollar value: . . . (2) if exceeding \$2,500, it will be input into DFMS as a standard batch document, with the original and first copy then being routed . . . (b.) to the Secretary of Finance, Division of Accounting, (29 Del. C. §6512 (e)) who will determine within his/her limits of authority if:

- The request is authorized by law.;
- The request is properly coded;
- Procedures set forth in the State Accounting Manual and the Delaware Code have been followed;
- Funds are available to the department; and
- Authorized electronic approvals have been entered.”

The State of Delaware Budget and Accounting Manual Section VI (E) states, “All General and Special Funds purchase orders must be issued to specific vendors unless exceptions are granted. Under extraordinary circumstances, agencies may request the use of non-specific vendor open order purchase orders. These requests must be directed to the Budget Director and must receive the concurrent approval of the Budget Director and the Secretary of Finance.”

Condition

The Management Analyst II circumvented State policies and approvals when she prepared 4 purchase orders for tuition to the same vendor on June 26 and June 27, 2008. Each individual purchase order was equal to \$2,475 and totaled \$9,900. The purchase orders should have been processed as one purchase order and appropriate approvals obtained.

FINDINGS AND RECOMMENDATIONS

JP Morgan Chase was listed as the vendor on the purchase orders. JP Morgan Chase is the State's SuperCard provider. This was done because the BOP was unaware of which vendors and the amount that would be utilized by employees for education. The SuperCard was eventually used to directly pay colleges/universities.

Cause

If not encumbered, funds would have reverted back to the State. The Management Analyst II intentionally disregarded State policies in order to quickly process purchase orders so that funds would not revert.

Effect

Authorization controls were circumvented. The BOP was not in compliance with State policies.

Recommendation

The BOP should:

- Comply with State of Delaware policies and procedures.
- Implement processes to ensure timely, efficient, effective, and proper use of State funds.

Auditee Response

The BOP will comply with Delaware policies and procedures.

Finding #7 Authorization and Segregation of Duties

Criteria

The State of Delaware *Budget and Accounting Manual* Section II states, "Internal control provides management with reasonable assurance that its policies and procedures are implemented and consistently followed to ensure efficient and effective organizational operation." The *Manual* also states, "Some of the basic objectives implicit to control procedures are as follows:

- Transactions are properly authorized. A properly authorized document must have the correct number of signatures as required by the organization's internal policy and this manual.
- Proper supporting documentation for all financial documents is required and is defined as invoices, logs, worksheets, memos, or additional documentation that provides support for the purpose and amount of the transaction.
- Duties are sufficiently segregated.
- Access to assets is limited in accordance with management's authorization.
- A comparison or check of recorded assets with existing assets is performed by staff independent of the financial area responsible for recording the amounts."

FINDINGS AND RECOMMENDATIONS

Condition

Numerous instances (as detailed throughout this report) were noted in which transactions and time reporting documents were not properly reviewed, approved, and/or supported.

There is a lack of segregation of duties. The Management Analyst II:

- Maintains the petty cash checkbook, makes deposits, prepares and signs checks, receives the bank statements, and reconciles the accounts.
- Approves her own expense reports as well as the Chairperson's expense reports.
- Makes SuperCard purchases, receives the SuperCard statements, and prepares the IV's for payment. There is no second review of her transactions to ensure purchases are appropriate and properly supported.

Cause

The Board members have allowed a weak control environment due to a lack of knowledge regarding proper internal control and basic accounting practices.

Effect

The lack of controls creates an environment conducive to fraudulent activity.

Recommendation

The BOP should:

- Obtain training for Board members regarding basics of internal controls and accounting practices.
- Develop controls, including policies and procedures, which include proper authorization for financial transactions.
- Require the Chairperson or other designated Board member to review and approve the Management Analyst II's expense reports and SuperCard purchases.
- Eliminate the petty cash checking account and pay all bills through the State accounting system, DFMS.
- The Board at large on an annual basis should review Chairperson expenses.

Auditee Response

The Chairperson and Board will review SuperCard purchases.

FINDINGS AND RECOMMENDATIONS

Finding #8 - Personal Computer Use

Criteria

The State of Delaware Department of Technology and Information *Acceptable Use Policy* states, “While State systems are intended for primarily business/instructional purposes, limited (incidental and occasional) personal use may be permissible when authorized by your management and it does not interfere with your work responsibilities or business/instructional operations.”

The *Acceptable Use Policy* also states, “Users are obligated to never use State systems (such as the Intranet or Internet) to engage in activities that are unlawful, violate State policies or in ways that would:

- Be disruptive, cause offense to others, or harm morale.
- Be considered harassing or discriminatory or create a hostile work environment.”

Condition

Per a review of computer activity including a hard drive and emails, AOA determined the Management Analyst II:

- Received personal e-mails through her State email address, some of which could be viewed as inappropriate.
- E-mailed various school related materials from her personal e-mail account to her State e-mail account.
- Used her State computer for personal purposes including schoolwork.
- Maintained an image on her hard drive that could be deemed offensive by others.

It is questionable as to whether the personal use could be deemed incidental and occasional.

Cause

Disregard of the *Acceptable Use Policy* and a weak control environment (including lack of supervision), which permits questionable employee behavior.

Effect

Using a State computer for personal use (a) creates noncompliance with State policies, (b) may result in creating an uncomfortable work environment if other employees view images deemed offensive, and (c) calls into question whether the employee is appropriately reporting time worked and completing work assignments timely.

Recommendation

The BOP should require staff to review the *Acceptable Use Policy* annually and have staff document that they have read and understand the *Policy*.

Auditee Response

Staff has reviewed acceptable use policy regarding the use of computers.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

The Honorable Jack Markell, Governor, State of Delaware

The Honorable Russell T. Larson, Controller General, Office of the Controller General

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General

Officials of Audited Entities

Mr. Dwight Holden, Chairperson, Board of Parole

Mr. Alan Davis, Chief Magistrate, Justice of the Peace Courts